

Foreign Transactions of the U. S. Government in 1949

UNITED STATES Government foreign-aid programs in 1949 furnished assistance to the extent of nearly \$6.0 billion in grants and credits. Grants were by far the greater part of the total amounting to \$5.3 billion—about one-fourth more than in 1948—while credits, at \$0.7 billion, were less than half as much as in the previous year. A comparison of grants and credits from 1946 through 1949 is shown in chart 1.

Total aid since the approximate end of the war, or from July 1, 1945, amounted to almost \$26 billion. During the first two full years after the war, 1946 and 1947, credits exceeded grants, mainly as a result of withdrawals on the British loan authorized in 1946. For subsequent years aid was extended mostly through grants, which in 1949 grants were furnished largely under the European Recovery Program.

The ERP strongly emphasized grants rather than credits (which would have required repayment and increased the future dollar requirements of the borrowing country) and aid extended under that program, which was about one-third of total aid in 1948, accounted for more than two-thirds of 1949 assistance.

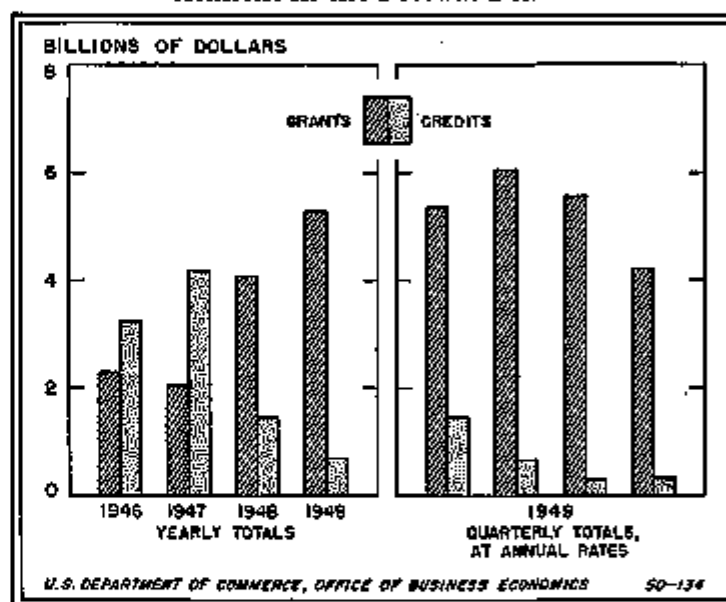
In the last half of 1949 aid rendered by the U. S. Government fell off by more than one-fifth from the first half, due mostly to the decline of grants under the European Recovery Program. Such grants had reached a maximum in the second quarter. The decline resulted from reduced ERP appropriations, which reflect a diminishing need for aid until the scheduled completion of the program in 1952. Table 1 shows grants and credits by program from July 1, 1945, through 1949, while table 2 presents them by country for 1948 and 1949.

Transactions other than those in connection with grants and credits further provided a net disbursement of dollars to certain foreign areas. These transactions include purchases and sales of goods and services, payments of administrative expenses abroad, and contributions to international organizations. They do not include disbursements made for grants and credits or receipts realized from repayment of credits, including interest, and reverse grants (grants to the U. S. Government). Purchases abroad of goods and services are included, however, even though such goods and services may become grants. These other transactions in 1949 resulted in disbursements of \$1.7 billion and receipts of \$0.5 billion. Table 4 shows such "other" cash disbursements and receipts by country for 1948 and 1949.

The U. S. Government, in turn, received payments from other countries. Collections in 1949 to reduce the principal amount of loans outstanding and to pay interest amounted to \$239 million and \$97 million, respectively. For the previous year these collections amounted to \$456 million and \$100 million. Grants to the U. S. Government amounted

to the equivalent of \$230 million in 1949 and \$23 million in 1948, all but a small amount in 1948 the result of counterpart funds accruing to this country under programs of the Economic Cooperation Administration.

Chart 1.—Foreign Grants and Credits of the U. S. Government in the Postwar Period



Source of data: U. S. Department of Commerce, Office of Business Economics.

Economic Cooperation Administration

To ECA was assigned the responsibility for helping the free nations of Western Europe attain a degree of economic recovery which would obviate the need for extraordinary outside aid after 1952. From the beginning of the European Recovery Program in April 1948 through 1949 the ECA provided by grants and credits approximately \$6.0 billion in goods and services to participating countries, about one-half consisting of food and agricultural commodities and the balance mostly of industrial products such as raw materials, semifinished products, machinery, and vehicles. Almost two-thirds of these supplies were procured in the United States. Aid provided other than by financing purchases of supplies and equipment included ocean freight charges, technical assistance—comprising primarily services of experts required for the introduction of advanced production methods—and payment of certain parcel post and other transportation costs on private relief shipments.

Procurement authorizations under the program amounted to \$8.0 billion for the same period. More than three-quarters of this amount applied to five countries, the United Kingdom, France, Italy, Germany, and the Netherlands.

NOTE.—MR. WARNER IS A MEMBER OF THE STAFF OF THE CLEARING OFFICE FOR FOREIGN TRANSACTIONS, OFFICE OF BUSINESS ECONOMICS.

ERP grants in 1949

Total assistance under the European Recovery Program in 1949 amounted to \$4,160 million as compared with \$1,873 million in the previous year. Grants alone amounted to \$3.7 billion in 1949.

About 80 percent of the 1949 grants were in the form of cash reimbursements, the remainder representing mostly Government shipments. The United Kingdom was the largest recipient of grants from the United States under the program, receiving more than one-quarter of the total, followed by France, receiving more than one-fifth, and Germany about one-eighth. Grants to some ERP countries included certain amounts which were conditional upon furnishing aid to other participants under the intra-European payments plan. Therefore, in order to arrive at the amount of net aid received under the program the exchange of aid received or provided under the plan must be taken into consideration.

The intra-European payments plan under ERP

After the war a pattern of bilateral economic relations was prevalent in Europe which tended to hinder trade. The intra-European payments plan was introduced under the European Recovery Program, in order to encourage multi-lateral trading and to expand commerce so that Europe

Table 1.—Summary of Foreign Grants and Credits Utilized and Capital Investment in the International Bank and Monetary Fund, by Program

(Millions of dollars)						
Program	Total post-war period	July-December 1949	1949	1947	1948	1949
Total.....	29,347	2,697	5,353	9,346	5,523	5,476
International Monetary Fund.....	2,760		(1)	2,760		
International Bank for Reconstruction and Development.....	636		317	317		
Grants and Credits Utilized.....	26,052	2,697	5,335	6,233	5,523	5,476
Grants.....	15,718	2,615	2,289	2,049	4,495	5,296
Loans.....	1,213	1,683	337		1,900	929
Civilian supplies by the military.....	4,170	339	937	865	1,907	2,735
European recovery.....	5,132					
UNRRA.....	2,577	479	1,458	940		(7)
Post-UNRRA.....	300		230	68		2
Interim aid.....	567		12	645		
Chinese stabilization.....	120	105	16			
Chinese military aid.....	116			72		45
Chinese aid.....	100			96		64
Greek-Turkish aid.....	564			74	589	172
Philippine rehabilitation.....	423		22	87	130	203
Korean aid.....	29					29
Refugee assistance.....	106		2	19	80	86
International Children's Emergency Fund.....	80			15	27	18
Inter-American aid.....	31	5	5	7	6	4
American Red Cross.....	70	5	5			
Credits.....	10,244	681	3,245	4,183	1,444	600
Special British loan.....	2,760		800	2,960	300	
Export-Import Bank.....	13,632	25	1,528	224	426	185
European recovery.....	902			476		425
Surplus property.....	1,303		878	245	212	29
Loans.....	1,347	623	582	169	15	5
Other.....	361	(7)	128	158	0	47

¹ Less than \$500,000.

² Receipt of less than \$500,000 from UNRRA on account of an excess of funds advanced to that organization for liquidation purposes.

³ Includes agent bank loans.

NOTE.—Data included in tables are based upon reports submitted by Government agencies and may have been revised since publication of similar information in previous SURVEY articles. In tables detail will not necessarily add to totals because of rounding.

Source: U. S. Department of Commerce, Office of Business Economics.

might provide for itself, through trade, more of the essential goods and services it required. This plan provided that grants would be extended by the United States Government upon condition that the recipient member of the plan furnish an equivalent amount of aid or drawing rights in its currency to one or more other members.

In 1949 drawing rights utilized by members of the plan amounted to \$809 million, but the countries furnishing these drawing rights received only \$722 million in conditional aid from the United States. Those countries which extended the excess of drawing rights will eventually receive conditional grants to cover the difference.

In the case of Belgium-Luxembourg net aid provided under the plan amounted to \$264 million—or \$12 million more than all aid received from the U. S. Government—which placed this area in the unique position of granting net aid under the program during 1949. Net ERP aid received or provided for 1948 and 1949, is shown in table 3.

A little more than one-tenth of 1949 aid under ERP was extended through credits, as compared with about one-quarter for the previous year. Credit utilizations of \$476 million in 1948 and \$425 million in 1949 were mainly the result of the \$1.0 billion made available exclusively for loans and guaranties in the first appropriation authorization for ECA. In the appropriation act by Congress for the

Table 2.—Summary of Foreign Grants and Credits Utilized, by Major Country, 1948 and 1949

(Millions of dollars)						
Country	1948			1949		
	Total	Grants	Credits	Total	Grants	Credits
Total.....	5,523	4,678	1,444	5,476	5,284	600
European Recovery Program countries (including participating dependent areas).....	4,249	3,125	1,111	4,694	4,237	456
Austria.....	197	183	14	203	202	0
Belgium-Luxembourg.....	89	50	39	233	202	31
Denmark.....	40	18	22	108	94	14
France.....	803	620	184	690	607	83
Germany.....	1,010	925	84	921	821	100
Greece.....	361	287	74	245	245	0
Iceland.....	2	(7)	2	5	5	(9)
Ireland.....				67	3	64
Italy.....	411	300	103	450	389	61
Netherlands-Indonesia.....	144	89	55	332	254	78
Norway.....	70	17	53	75	43	32
Sweden.....	3	1	2	40	35	5
Turkey.....	10	10		9	9	0
Turkey.....	55	73	13	94	60	34
United Kingdom.....	1,017	885	132	1,107	1,037	70
Unallocated ERP countries.....	8	8		32	32	
Other Europe.....	53		53	14		14
Finland.....	26		26	12		12
Poland.....	19		19	1		1
U. S. S. R.....	0		0	1		1
Yugoslavia.....	1		1			
American Republics.....	68	5	63	82	4	77
Australia.....	1		1			
Canada.....	140		140	1		1
China.....	224	203	21	111	100	11
Egypt.....	2		2	5		5
India.....	5		5			
Iran.....	8		8	10		10
Japan.....	408	388	20	474	420	54
Korea.....	104	96	8	80	80	0
Libya.....	2		2	4		4
Philippines.....	132	180	3	203	203	(7)
Ryukyu Islands.....	8	8		14	14	
All other countries.....	1		1	8		8
International organizations.....	119	110	9	124	104	20
Unallocated.....	2	2		2	2	

¹ Less than \$500,000.

² Credit utilizations shown for U. S. S. R. represents billings (under the pipe-line agreement dated Oct. 15, 1949) for materials, services, or other loan-lease aid furnished prior to Mar. 31, 1949.

Source: U. S. Department of Commerce, Office of Business Economics.

Table 3.—European Recovery Program: Net Aid Received or Provided, by Country, 1948 and 1949

(Millions of dollars)

Country	1948	1949								
	Net aid received (+) or provided (-)	Net aid received (+) or provided (-)	Aid received from the United States					Aid under intra-European payments plan		
			Total	Grant basis			Credit basis	Net received (+) or provided (-)	Received	Provided
				Total	Direct	Conditional ¹				
Total.....	+1,873	+4,148	4,350	3,734	3,013	721	428		809	809
France.....	+504	+1,072	862	597	773	33	45	+231	294	33
United Kingdom.....	+492	+929	1,167	1,027	800	226	81	-178	48	226
Netherlands-Indonesia.....	+142	+440	352	284	230	15	08	-87	102	15
Germany.....	+113	+392	401	401	340	165		-99	746	145
Italy.....	+135	+376	418	389	349	40	30	-40		40
Austria.....	+100	+294	292	203	201	1		+02	93	1
Greece.....	+64	+230	129	139	120			+130	130	
Norway.....	+42	+134	98	43	28	5	23	+67	72	5
Denmark.....	+41	+123	108	84	90	4	14	+15	10	4
Ireland.....		+87	97	3	3		04			
Turkey.....		+33	30	10	(?)	10	20	+3	27	23
Trieste.....	+46	+9	9	9	0					
Portugal.....		+5						+5	5	
Iceland.....	+2	+2	8	5	1	74	(?)	-4		4
Sweden.....	-8	+1	28	28		38		-37	7	44
Belgium-Luxembourg.....	+12	-12	203	202		202	61	-284	4	208
Unallocated.....	+8	+33	33	33	33					

¹ Conditional grants not sufficient to cover aid provided by Turkey, Sweden, and Belgium-Luxembourg.² Includes \$3.8 million extended by Iceland to Germany outside intra-European payments plan.³ Less than \$500,000.

Source: U. S. Department of Commerce, Office of Business Economics.

next year ECA received authority to loan an additional \$150 million against which no commitments had been made as of December 31, 1949.

ERP loans amounted to only \$47 million in the last half of 1949 compared to \$379 million in the first half, as final utilization of loans originally negotiated in late 1948 was nearing completion. The largest recipients of ERP loans in 1949 were the Netherlands (\$98 million) the United Kingdom (\$81 million) and Ireland (\$64 million.) The Export-Import Bank acts as agent for ECA in executing and administering loans.

Other credits

The Export-Import Bank extended the major share of 1949 credits in 1949 other than those by ECA. Disbursements on the Bank's loans in 1949 amounted to \$185 million, less than half the \$429 million of the previous year, with the major share going to Italy, Chile, Mexico, and Japan. Loans by EIB are generally made for projects which increase the productive capacity of the borrowing countries.

Credit commitments by EIB which were unutilized at the end of 1949 amounted to \$430 million; lending authority which had not been committed amounted to \$389 million. Collections on credits by this agency in 1949 consisted of \$144 million to reduce principal and \$81 million for interest. In 1948 these collections were respectively \$261 million and \$57 million.

Credits resulting from the transfer of surplus property abroad were only \$29 million in 1949, as against \$212 million the previous year. In 1948 final credits of \$60 million were included on account of the transfer of merchant ships. Credits on other types of surplus were largely concluded by the middle of 1949 when this property had been largely disposed of and agencies responsible for disposal were in the process of liquidation.

Credits utilized in 1949 included those extended by the Army to Japan under the natural fibers revolving fund, amounting to \$27 million. Credits were extended from this

fund to purchase raw cotton; repayment is made from the proceeds of the manufactured textiles. The United Nations received \$20 million in 1949 as part of a \$65-million loan to build their headquarters building in New York City.

Civilian supplies for the occupied areas

The second largest grant program last year was civilian supplies furnished by the military, more than nine-tenths of which are for the people of the occupied areas of Germany and Japan. Such aid amounted to \$1,300 million in 1948 and \$928 million in 1949. The decline was in large part the result of programs for certain countries having been transferred to ECA.

Food items—especially grains—together with agricultural supplies and petroleum products made up most of the civilian supplies furnished in 1949. Considerable quantities of industrial raw materials were provided to Japan. Even though civilian supplies furnished by the Army to Germany in 1949, at \$431 million, were only a little over half the previous year, the increase in ERP grants resulted in a total of approximately \$900 million for both years. Supplies furnished Japan increased from \$388 million in 1948 to \$426 million in 1949.

Assistance to China and Korea

The Government of China largely lost control of the mainland of that country through military reverses in 1949. Consequently, U. S. Government aid was sharply curtailed, especially in the latter half of the year. Total aid in 1949 was \$111 million, about half that for 1948, and all but a negligible amount in the form of grants. Approximately two-fifths of grants in 1949 were military supplies; the balance, grants by ECA, resulted mainly in shipments of cotton, rice, and petroleum products.

Early last year ECA was assigned the responsibility of providing assistance to Korea to take the place of civilian supply programs of the Army. Accordingly, the extent of

supplies furnished by the Army decreased, while aid furnished by ECA increased. Total aid for 1949 amounted to \$86 million, grants by the ECA amounting to \$29 million and by the Army to \$57 million. In the previous year, aid to Korea included \$10 million of credits due to the transfer of surplus property and \$96 million due to civilian supplies granted by the Army.

Philippine aid

As a measure of good will to the Philippine people, the United States early undertook to provide some degree of compensation for property damages resulting from the war. The U. S. Government in 1949 paid \$162 million for such damages to private property. Payment of claims for damage to public property amounted to \$11 million for the year. Administrative services relative to these claims amounted to \$3 million. In this connection, administrative services and the costs of training Filipinos in certain specialized fields amounted to \$27 million. Total Philippine aid was \$203 million in 1949, and for 1948 about \$130 million.

Greek-Turkish aid

In 1947 Congress passed legislation to assist Greece and Turkey. Grants furnished under this program last year amounted to \$116 million for Greece and \$56 million for Turkey—about half of the 1948 total for these countries. The aid supplied under the Greek-Turkish program was largely of a military nature, especially for Turkey. Greece received technical and material assistance to fight forces within her borders threatening her independence, and Turkey received similar help to modernize her defense establishment.

Additional assistance went to these countries through the ECA, which assumed the responsibility of providing them with economic aid after July 1948. Aid extended by ECA included grants to Greece of \$58 million in 1948 and \$129 million in 1949, and to Turkey \$10 million last year.

Assistance through international organizations

Since the aftermath of the war found great numbers of people in Europe displaced from their homes, the U. S. Government last year contributed \$71 million to the International Refugee Organization, which seeks to care for these people and also to resettle them. (Contributions for this purpose had amounted to \$89 million in 1948.) In addition to contributions to the IRO the U. S. Government in 1949 paid \$15 million to the United Nations to assist persons displaced from their homes as a result of the recent war in Palestine.

The International Children's Emergency Fund, established by the United Nations, operates primarily for the benefit of children in European countries, especially as regards health requirements. Contributions by the U. S. Government to ICEF in 1949 amounted to \$18 million.

Transactions not included under grants or credits

In addition to transactions abroad in connection with grants and credits, other operations of the U. S. Government abroad resulted in payment and receipt of funds. Disbursement for these other purposes amounted to \$1.7 billion in 1949. Supplies and materials purchased accounted for one-third of this total. Military pay and allowances accounted for more than one-fourth. Other sizable disbursements were for administrative expenses abroad and operation of facilities.

U. S. Government disbursements abroad were about a half billion dollars less in 1949 than in the previous year. The greatest part of this decline represented reduced procurement of supplies and materials abroad. This was largely accounted for by the Government discontinuing purchases of

Table 4.—Other Foreign Transactions of the U. S. Government: Cash Disbursements and Receipts by Major Country, 1948 and 1949¹

Country	1948		1949	
	Disbursements	Receipts	Disbursements	Receipts
Total	2,234	345	1,712	444
European Recovery Program countries (including participating dependent areas)	843	337	785	221
Austria	73	12	43	7
Belgium-Luxembourg	66	18	64	7
Denmark	15	1	12	(9)
France	130	21	36	0
Germany	258	178	240	134
Greece	22	13	16	4
Ireland	19	2	12	1
Italy	21	11	49	2
Netherlands-Indonesia	70	32	60	1
Switzerland	70	14	23	18
Turkey	12	3	14	6
United Kingdom	102	36	100	18
Other	15	46	18	27
Other Europe	38	19	15	1
American Republics	237	168	170	36
Canada	34	14	39	9
Cuba	23	17	10	1
India	4	40	3	43
Japan	307	114	317	132
Korea	65	37	23	7
Philippines	230	25	191	10
Ryukyu Islands	22	19	44	26
Saudi Arabia	19	2	31	1
All other countries	75	39	63	26
International organizations	32	30	40	7
Unallocated	45	3	55	3

¹ Purchases and sales of gold by the U. S. Government are not included.

² Less than \$500,000.

Source: U. S. Department of Commerce, Office of Business Economics.

tin to supply domestic industry, depending upon private traders to import these requirements. Also, purchases of sugar from Cuba for the occupied areas were reduced as these areas were able to acquire supplies elsewhere or develop their own production.

Japan, Germany, the Philippines, and the United Kingdom and its dependencies were the recipients of more than half of disbursements in 1949. In the first three areas there are large military establishments requiring disbursements for pay and allowances. However, payments to the United Kingdom largely represented procurement from its dependencies.

Receipts from such U. S. Government foreign transactions—other than those resulting from grant and credit transactions, of course—amounted to \$544 million last year. Two-thirds were the result of sales. Military agency sales to Army PX's and Navy Ships Stores amounted to \$135 million; sales of commodities, mostly whole grains, amounted to \$106 million. Another large source of receipts was remittances of \$106 million to the United States by Government personnel abroad.

These receipts declined about \$400 million in 1949 from the previous year. About half of the decline was due to reduced sales including surplus property, for example, had been largely disposed of in 1948.

More than half the receipts in 1949 were from Japan and Germany. Because of the large numbers of American personnel, chiefly members of the armed forces in those areas, receipts from personal remittances and sales to Army PX's were high.

NOTE.—Data included in this article constitute the basis for Government transactions in the balance-of-payments statements of the International Economics Division, Office of Business Economics. Differences may be due to the use in the balance-of-payments statement of preliminary data which include estimates. Other discrepancies may result from conceptual differences. (For example, in the balance of payments, loans guaranteed by the Export-Import Bank are included in private rather than in Government capital movements.) Further differences may arise from the attempt to enter transactions in the balance of payments at the time they are assumed to have taken place, rather than the time transactions appear in the accounts of the reporting Government agencies.